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What Modern Microentrepreneurs Are Up Against—And How Lawyers Can Help

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Five years after the pandemic, microentrepreneurs continue to navigate persistent and evolving challenges. This article examines emerging legal and technological trends making the greatest impact on microentrepreneurs, such as access to physical storefronts, tariffs, immigration concerns, the rise of social media and artificial intelligence, business registrations, and intellectual property and cybersecurity concerns. The goal of this overview is to help lawyers, pro bono volunteers, and community economic development practitioners meet clients where they are—whether they are gig workers, content creators, or small business owners focused more on survival than long-term growth—and to identify practical ways to support them through accessible, client-centered legal guidance.

These observations and practice tips draw on the collective experience of nonprofit and pro bono practitioners working with microentrepreneurs across New York City. They reflect trends seen in direct client work rather than formal research, offering a practical snapshot of the challenges and opportunities small business owners face in 2025. While grounded in local practice, these observations apply nationwide.

1. Commercial Rent Pressures and the Shift to E-Commerce

Over the past five years, microbusinesses have faced rising commercial rents, reduced access to physical storefronts, and the growing dominance of online retail.¹ As foot traffic fell and lockdowns persisted during the pandemic, physical storefronts became riskier and more expensive. Although many small tenants closed or downsized, rents continued to rise because new construction of retail space slowed and national chains and large tenants competed for the limited available inventory.² The growth of e-commerce, already in motion pre-pandemic, was rapidly intensified by COVID-19

¹ INITIATIVE FOR A COMPETITIVE INNER CITY (ICIC), *As Commercial Rents Rise, Local Businesses Feel the Squeeze* (Nov. 28, 2023), <https://icic.org/blog/commercial-rents-rise-local-businesses-feel-squeeze/>.

² PYMNTS, *Small Businesses Face Higher Rents as Retail Space Availability Drops* (Oct. 22, 2024), <https://www.pymnts.com/real-estate/2024/small-businesses-face-higher-rents-as-retail-space-availability-drops/>.

and prompted many entrepreneurs to reconsider brick-and-mortar models in favor of digital strategies to stay afloat.³

The pandemic spurred an e-commerce boom: In 2020, online sales jumped by 43%, growing from \$571.2 billion in 2019 to \$815.4 billion.⁴ Sites like Etsy and Shopify, which allow small and microbusinesses to set up their own online shops, reported 75% and 108% growth in sales respectively in 2020.⁵

As COVID-19 restrictions were lifted, online shopping behavior remained strong. Today, brick and mortar businesses seek ways to integrate the online shopping experience with in-person retail. For example, some have begun hosting in-store events with DJs, refreshments and prizes, while others accept in-store returns of online purchases to draw customers back to the stores.⁶ Further, according to a recent industry survey, 80% of respondents cited in-person events as the “most trusted source of information and the top way to discover new products and services,” which presents a strong incentive for microbusinesses to consider hosting in-person events.⁷

What We Should Consider When Advising Clients: These market conditions have direct implications for lease negotiations and client counseling. Rising rents and reduced retail availability have increased the importance of reviewing lease terms for escalation clauses, personal guarantees, and use restrictions and exploring alternatives such as subleasing or short-term licenses. Advising clients on hybrid or flexible

³ Maureen Soyars Hicks, *The COVID-19 Small Business Boom: Startups Surge During Pandemic*, U.S. BUREAU OF LAB. STAT., MONTHLY LAB. REV. (Sept. 2021), <https://www.bls.gov/opub/mlr/2021/beyond-bls/the-covid-19-small-business-boom-startups-surge-during-pandemic.htm>.

⁴ Mayumi Brewster, *E-Commerce Sales Surged During the Pandemic*, U.S. CENSUS BUREAU (Apr. 27, 2022), <https://www.census.gov/library/stories/2022/04/ecommerce-sales-surged-during-pandemic.html>.

⁵ Leticia Miranda, *Small Businesses That Pivoted to E-Commerce Saw Record Sales During the Pandemic*, NBC NEWS (Dec. 4, 2020), <https://www.nbcnews.com/business/business-news/small-businesses-who-pivoted-e-commerce-saw-record-sales-during-n1249499>.

⁶ U.S. CENSUS BUREAU, *supra* note 4.

⁷ Zahir Khoja, *Four Trends That Could Define Microbusiness Success in 2025*, FORBES (Jan. 9, 2025), <https://www.forbes.com/councils/forbesbusinesscouncil/2025/01/09/four-trends-that-could-define-microbusiness-success-in-2025/>.

occupancy arrangements, as well as online sales compliance and consumer-protection obligations, has become an integral part of supporting microbusiness.

2. Loan Defaults

The rate at which small business owners are defaulting on their loans has tripled since 2022.⁸ This trend is most evident in the Small Business Administration's (SBA) 7(a) loan program, which is the agency's flagship product that provides loans of up to \$5 million and offers a variety of flexible funding terms. Several factors have contributed to this increase in defaults, including rising interest rates driven by Federal Reserve policy and relaxed lending standards associated with recent program changes.⁹ Since the pandemic, the SBA has expanded access to loans through nonbank fintech lenders and reduced some lender fees to encourage entrepreneurship.¹⁰ While these shifts increased lending volume, they have also introduced greater risk, leading to higher early defaults and delinquencies. If default rates remain elevated, the SBA may tighten underwriting standards, making it more difficult for new entrepreneurs to secure financing.

In addition to reduced credit availability, many microentrepreneurs continue to face difficulties repaying their Economic Injury Disaster Loans (EIDL) issued during the pandemic. The SBA Office of Inspector General (OIG) recently reported that, as of December 2024, the agency had charged off more than \$47 billion in delinquent COVID-19 EIDLs, recovering less than 1% of the original loan amounts during

⁸ RAPID BUS. PLANS, *What Rising SBA Loan Defaults Mean for Small Businesses in 2025* (Mar. 7, 2025), <https://rapidbusinessplans.com/blog/2025/3/7/what-rising-sba-loan-defaults-mean-for-small-businesses-in-2025>.

⁹ See EQUIFAX, *Small-Business Lending Softens as Delinquency and Default Rates Continue to Rise* (Nov. 15, 2023), <https://www.equifax.com/newsroom/all-news/-/story/small-business-lending-softens-as-delinquency-and-default-rates-continue-to-rise/>.

¹⁰ See Rajashree Chakravarty, *SBA Critics Push Back on Fintechs Making 7(a) Loans*, BANKING DIVE (MAR. 27, 2024), <https://www.bankingdive.com/news/sba-critics-ernst-still-push-back-fintechs-making-7a-loans/711547/>.

liquidation.¹¹ The OIG found that SBA did not exhaust available collection tools before referring loans to Treasury, often charging off loans after only a few days in liquidation. Furthermore, as the hardship accommodation period has expired, a growing number of borrowers are defaulting, and delinquent debts are being referred to the U.S. Treasury for collection. Practitioners report that some clients made interest-only payments, unaware that their principal balances were not decreasing, and are now struggling to pay off their loans. For small business owners with limited income and assets, these collection efforts can be financially devastating. Increasingly, practitioners are encountering entrepreneurs seeking help with negotiating offers in compromise or exploring bankruptcy as a last resort. Yet, there is limited public guidance on how to navigate these processes for SBA-backed loans, and many small borrowers cannot afford private counsel.

Beyond financial pressures, immigration-related policies could also affect microentrepreneurs' access to capital. SBA is instituting new policies which will limit access to loans in an effort to aid immigration enforcement.¹² New SBA loans now include a citizenship verification provision to prevent undocumented immigrants from receiving SBA loans. Further, the SBA is relocating six of their regional offices out of municipalities that the Trump Administration has determined are not complying with immigration enforcement.¹³ These policy changes create additional obstacles for small business owners to obtain critical funding. Congress is currently voting on the American Entrepreneurs First Act, which would codify these provisions.¹⁴ While these policies do not substantially limit the loans available, they make the process more burdensome, which could dissuade some entrepreneurs.

¹¹ U.S. SMALL BUS. ADMIN., OFF. OF INSPECTOR GEN., *SBA's Collection Efforts on Delinquent COVID-19 EIDLs*, Report No. 25-23 (Aug. 12, 2025), <https://www.sba.gov/sites/default/files/2025-08/SBA%20OIG%20Report%2025-23.pdf>.

¹² U.S. SMALL BUS. ADMIN., *Administrator Loeffler Announces SBA Reforms to Put American Citizens First* (Mar. 6, 2025), <https://www.sba.gov/article/2025/03/06/administrator-loeffler-announces-sba-reforms-put-american-citizens-first>.

¹³ The SBA is moving offices out of Atlanta, Boston, Chicago, Denver, New York City, and Seattle. *See id.*

¹⁴ American Entrepreneurs First Act of 2025, H.R. 2966, 119th Cong. (2025-2026), <https://www.congress.gov/bill/119th-congress/house-bill/2966>.

What We Should Consider When Advising Clients: Given these changes, practitioners should pay closer attention when reviewing loan documents for clients, particularly to terms related to variable interest rates, personal guarantees, and default provisions. As more borrowers face unmanageable debt, attorneys may also encounter clients seeking assistance with offers in compromise or considering bankruptcy as a last resort. Because public guidance on SBA debt resolution remains limited, these cases often require creative advocacy and coordination with bankruptcy or consumer law specialists, but note that most consumer-specific laws and regulations do not apply to business loans. Practitioners should also be prepared to advise immigrant entrepreneurs on documentation and eligibility requirements for federally backed loans and to connect clients with community development lenders or alternative funding sources when traditional SBA financing is out of reach.

3. Tariffs

Recent federal tariff increases have emerged as one of the most pressing challenges for microentrepreneurs. According to the Small Business Majority's August 2025 "Voice of Main Street" survey, 81% of small business owners are concerned about tariffs' impact, and 60% have already seen higher costs for imported goods or materials.¹⁵ Among those affected, 57% report cost increases between 10 and 25%, and another 24% report increases between 26 and 50%. These rising input costs have led 31% of entrepreneurs to raise prices, 27% to delay growth or expansion plans, and 21% to postpone hiring or importing decisions. In response, three-quarters of small business owners support legislation exempting small firms from certain tariffs, underscoring the sector's need for relief. The removal of the long-standing "de minimis" exemption, which previously allowed shipments valued under \$800 from China to enter the United States duty free, has directly affected about one-quarter of the businesses surveyed in the study, showing how small policy changes can add new costs or compliance burdens for microbusinesses.

¹⁵ SMALL BUS. MAJORITY, *Voice of Main Street: Small Business Optimism Declines Amid Concerns About Tariffs, Healthcare; Latino-Owned Businesses Report Biggest Losses* (Aug. 20, 2025), <https://smallbusinessmajority.org/our-research/voice-of-main-street/small-business-optimism-declines-amid-concerns-about-tariffs-healthcare-latino-owned-businesses-report-biggest-losses>.

Based on the same survey, about two-thirds of small business owners reported higher expenses over the past three months, and only 36% expressed optimism about their business prospects, indicating that tariffs remain a key factor constraining recovery and competitiveness among U.S. microenterprises.

What We Should Consider When Advising Clients: For practitioners, these changes in trade policy show why it is important to anticipate cost and supply-chain risks in client agreements. Lawyers should ensure that vendor and manufacturing contracts include clear terms on who bears the cost of tariff changes and that small business owners understand the potential impact on pricing, margins, and compliance obligations.

4. Immigration Enforcement

The Trump Administration's immigration enforcement policies continue to influence small-business operations and workforce stability. Undocumented immigrants make up approximately 4.8% of the U.S. workforce, with particularly high representation in industries that rely heavily on service and manual labor, such as construction, food service, hospitality, and retail trade.¹⁶ Many workers, including those with legal status, have become more reluctant to change jobs or report to work due to fear of enforcement actions.

For small business owners, these conditions can make it harder to recruit and retain employees and can increase labor costs. Surveys of small business owners indicate that heightened enforcement has led to higher turnover, wage increases, and, in some cases, temporary closures or reduced operating hours.¹⁷ These labor shortages and cost pressures are particularly acute in urban service industries that employ large numbers of immigrant workers, including those common among New York City

¹⁶ Jeffrey S. Passel & Jens Manuel Krogstad, *What We Know About Unauthorized Immigrants Living in the U.S.*, PEW RSCH. CTR. (July 22, 2024), <https://www.pewresearch.org/short-reads/2024/07/22/what-we-know-about-unauthorized-immigrants-living-in-the-us/>.

¹⁷ Emma Parker, *The Cost of Deportations on Small Business*, CLARIFY CAPITAL (2023), <https://clarifycapital.com/cost-of-deportations-small-business>.

microentrepreneurs such as restaurants, cleaning services, and personal care businesses.¹⁸

What We Should Consider When Advising Clients: Supporting microbusinesses with immigrant owners or workforces requires a culturally sensitive and creative approach. Many microentrepreneurs, particularly those without legal status or with mixed-status families, operate informally or rely on trusted community networks because they have limited access to traditional financing or government programs. Attorneys can help these clients explore lawful pathways to sustain their operations, such as forming appropriate business entities, maintaining clear written agreements, structuring ownership or partnership arrangements that comply with immigration and tax laws, and ensuring compliance with wage and employment obligations. Providing practical, nonjudgmental guidance and connecting clients with community-based financial or legal resources can help immigrant entrepreneurs continue operating safely and sustainably within the bounds of the law.

5. Social Media and AI

For many microentrepreneurs, social media has become the primary mode of conducting business. Platforms like Instagram, TikTok, and Facebook enable them to engage customers and make sales, often with lower overhead than traditional advertising. But this shift brings legal risks, particularly around compliance with Federal Trade Commission (FTC) advertising and disclosure rules.¹⁹ Additionally, social media platforms frequently collect and use consumer data raising potential privacy and data-security concerns.

¹⁸ Matthew Lisiecki, *The Role of Undocumented Workers in High-Growth Occupations and Industries Across the United States*, CTR. FOR MIGRATION STUDIES (Aug. 27, 2025), <https://cmsny.org/publications/undocumented-workers-in-high-growth-occupations-and-industries/>; see also OFF. OF THE N.Y. STATE COMPTROLLER, *The Role of Immigrants in the New York City Economy* (Mar. 2024), <https://www.osc.ny.gov/files/reports/osdc/pdf/report-20-2024.pdf>.

¹⁹ FED. TRADE COMM'N, *FTC's Endorsement Guides: What People Are Asking* (JUNE 2023), <https://www.ftc.gov/business-guidance/resources/ftcs-endorsement-guides-what-people-are-asking#ftcactapply>.

Accessibility is another important consideration for microentrepreneurs doing business online. Many rely on social media platforms or hosted services like Shopify rather than maintaining their own websites because building a site can be costly and may expose them to litigation risk under Title III of the Americans with Disabilities Act (ADA).²⁰ These platforms make it easier for small businesses to reach customers, but they also limit the business owner's control over accessibility, privacy, and content policies.

Regarding AI, many microentrepreneurs are beginning to use AI tools in their daily business activities,²¹ including drafting contracts, proposals, or even demand letters. They are also adopting AI for other areas of microbusiness operations, such as marketing, content creation, and brand development.

What We Should Consider When Advising Clients: For practitioners, advising microentrepreneur clients in this space may include helping them structure influencer and endorsement relationships with proper disclosures, reviewing platform terms of service and data-use policies, and identifying when their online presence could trigger accessibility, consumer-protection, or privacy obligations.

AI tools can increase efficiency and confidence for business owners who lack access to professional assistance, but they also carry risks when used without legal review. Practitioners should ask clients whether they use AI tools in their business operations and advise them to treat AI-generated documents as drafts, not final products. Before relying on such materials for enforceable agreements or legal correspondence, clients should seek attorney review. Practitioners should also counsel clients on licensing content, obtaining permissions, and disclosing AI-generated materials when required.

²⁰ Lori J. Sommerfield et al., *Digital Accessibility Under Title III of the ADA: Recent Developments and Risk Mitigation Best Practices*, ABA (Aug. 13, 2025), <https://businesslawtoday.org/2025/08/digital-accessibility-under-title-iii-of-the-ada-recent-developments-and-risk-mitigation-best-practices/>.

²¹ See U.S. CHAMBER OF COMMERCE, *Empowering Small Business: The Impact of Technology on U.S. Small Business Fourth Edition* (Apr. 2025), <https://www.uschamber.com/assets/documents/Empowering-Small-Business-Report-2025.pdf>.

6. Cross-State Business Registrations

As the entrepreneurial sector continues to evolve, more microbusinesses are choosing to register and operate across state lines. This trend is driven by the rise of remote work and the ability to run a business solely online. Based on practitioner observations, many microentrepreneurs choose to register their businesses in states such as Delaware, Wyoming, or Nevada, citing perceived advantages like lower filing fees, no newspaper publication requirements, as in New York, and an enhanced business reputation.

However, cross-state registration also introduces new compliance challenges. Microbusinesses must navigate legal obligations in both their home and registered states, including tax filings and foreign qualification requirements. For very small enterprises without in-house counsel or accounting support, these obligations can create meaningful administrative and financial burdens.

What We Should Consider When Advising Clients: For practitioners, advising clients who register or operate in multiple states should include assessing where the business has a sufficient “nexus” to trigger tax and reporting obligations, reviewing foreign qualification and registered agent requirements, and ensuring clients understand the risks of operating out of state without proper authorization. Practitioners can also help microbusinesses evaluate whether the perceived benefits of out-of-state registration outweigh the added costs and compliance demands for their specific business model.

7. Cybersecurity and Intellectual Property Considerations

Microentrepreneurs often operate without the infrastructure or financial resources of larger businesses, which makes them particularly vulnerable to cybersecurity threats. A single cyberattack can disrupt operations, expose customer data, and lead to significant financial loss costs that many small business owners cannot absorb. While cybersecurity insurance and professional IT services are often out of reach for these businesses, there are practical steps that can reduce risk.

Intellectual property presents a different but equally common challenge. Many microentrepreneurs express a strong desire to trademark their brand, copyright their creative work, or even seek patents, yet they may not fully understand what these protections entail or when pursuing them makes sense. For some, immediate registration may be premature given their stage of business or limited resources.

What We Should Consider When Advising Clients: Practitioners can help clients adopt simple, low-cost cybersecurity practices such as using multi-factor authentication, updating software regularly, limiting employee access to sensitive information, and backing up data securely.²² Referring clients to trusted resources such as the FTC's and SBA's small business cybersecurity guides can also help them implement protections that are realistic for their scale and capacity.²³

Regarding intellectual property considerations, practitioners can play an important role in helping clients understand the IP landscape, distinguish between different forms of protection, and make informed decisions about timing and cost. This may include guiding clients through name and trademark searches to avoid conflicts, discussing low-cost alternatives such as using contracts or nondisclosure agreements, and identifying when formal registration is advisable to protect growth and investment.

Conclusion

Microentrepreneurs keep local economies running, but in our collective work we see them facing a mix of legal and day-to-day challenges, from rising rents and limited access to credit to digital compliance, cybersecurity, and immigration-related barriers. Advances in technology, such as artificial intelligence, and post-pandemic shifts in how people live and work, including remote work and online commerce, have expanded opportunities while introducing new legal and ethical considerations that many microentrepreneurs are not equipped to navigate on their own.

Supporting microentrepreneur clients means helping them understand their rights and obligations, prioritize limited resources, and make informed decisions that reflect their business realities. Ultimately, meeting clients where they are requires recognizing that legal guidance is not only about compliance but also about empowerment, giving clients the tools to thrive within the law and contribute to their communities on their own terms.

²² U.S. SMALL BUS. ADMIN., *Strengthen Your Cybersecurity*, <https://www.sba.gov/business-guide/manage-your-business/stay-safe-cybersecurity-threats> (last updated July 2, 2024).



²³ *Id.*, see also FED. TRADE COMM'N, *Cybersecurity for Small Business*, <https://www.ftc.gov/business-guidance/small-businesses/cybersecurity> (last visited Oct. 30, 2025).

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